

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Washington and Bruce Townships Senior Transportation thru Advanced Reservation</u>	County Macomb
Audit Date March 31, 2004	Opinion Date June 21, 2004	Date Accountant Report Submitted To State: August 24, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments, which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

**Washington and Bruce Townships
Senior Transportation thru
Advanced Reservation**

**Financial Report
March 31, 2004**

Washington and Bruce Townships Senior Transportation thru Advanced Reservation

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Independent Auditor's Report

To the Board of Commissioners
Washington and Bruce Townships Senior
Transportation thru Advanced Reservation

We have audited the financial statements of Washington and Bruce Townships Senior Transportation thru Advanced Reservation as of March 31, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington and Bruce Townships Senior Transportation thru Advanced Reservation at March 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 21, 2004



A worldwide association of independent accounting firms

Washington and Bruce Townships Senior Transportation thru Advanced Reservation

Balance Sheet March 31, 2004

	Governmental Fund Type - General Fund	General Fixed Assets Account Group	Total (Memorandum Only) March 31	
			2004	2003
Assets				
Cash (Note 2)	\$ 440	\$ -	\$ 440	\$ 300
Investments (Note 2)	1,110,000	-	1,110,000	899,000
Taxes receivable	17,098	-	17,098	19,997
Accounts receivable	405	-	405	477
Capital assets (Note 3)	-	333,574	333,574	331,059
Total assets	<u>\$ 1,127,943</u>	<u>\$ 333,574</u>	<u>\$ 1,461,517</u>	<u>\$ 1,250,833</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 5,181	\$ -	\$ 5,181	\$ 5,540
Due to other units of government	48,293	-	48,293	24,109
Deferred revenue	81,484	-	81,484	3,740
Total liabilities	134,958	-	134,958	33,389
Fund Equity				
Investment in general fixed assets	-	333,574	333,574	331,059
Fund balance - Unreserved and undesignated	992,985	-	992,985	886,385
Total fund equity	<u>992,985</u>	<u>333,574</u>	<u>1,326,559</u>	<u>1,217,444</u>
Total liabilities and fund equity	<u>\$ 1,127,943</u>	<u>\$ 333,574</u>	<u>\$ 1,461,517</u>	<u>\$ 1,250,833</u>

Washington and Bruce Townships Senior Transportation thru Advanced Reservation

Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended March 31, 2004

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Revenue				
Taxes	\$ 295,391	\$ 324,615	\$ 305,880	\$ (18,735)
Intergovernmental-shared revenue	80,972	77,000	92,666	15,666
Interest	10,778	10,000	5,597	(4,403)
Donations	50	-	280	280
Weekend service	4,471	3,800	5,283	1,483
Miscellaneous	-	3,000	581	(2,419)
Total revenue	391,662	418,415	410,287	(8,128)
Expenditures				
Personnel:				
Drivers	93,564	102,384	100,239	2,145
Weekend drivers	2,054	2,800	2,517	283
Coordinator	37,477	37,796	38,034	(238)
Director	14,053	16,164	16,220	(56)
Accounting service	6,383	6,714	6,728	(14)
Administrative support	18,672	21,000	20,725	275
FICA	13,804	13,000	14,927	(1,927)
Health insurance	7,411	9,129	7,277	1,852
Life insurance	945	900	715	185
Longevity	1,500	1,500	1,500	-
MESC	2,159	1,900	1,124	776
Retirement	8,165	9,101	8,695	406
Uniforms	1,204	1,200	1,715	(515)
Total personnel	207,391	223,588	220,416	3,172
Vehicles:				
Cleaning	640	800	574	226
Equipment	77,983	6,500	2,515	3,985
Gasoline	10,706	13,000	12,796	204
Insurance	10,115	10,000	11,117	(1,117)
Maintenance and repairs	17,093	20,000	19,854	146
Miscellaneous	399	400	1,060	(660)
Weekend and charter service	10,328	18,200	8,942	9,258
Total vehicles	127,264	68,900	56,858	12,042

Washington and Bruce Townships Senior Transportation thru Advanced Reservation

Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual (Continued) Year Ended March 31, 2004

	Prior Year Actual	Current Year Budget	Current Year Actual	Variance Favorable (Unfavorable)
Expenditures (Continued)				
General and administrative:				
Audit	\$ 840	\$ 900	\$ 1,570	\$ (670)
Disability insurance	651	700	576	124
Equipment	533	500	1,283	(783)
Miscellaneous	5,393	2,000	662	1,338
Office supplies	1,928	2,450	1,603	847
Personal liability insurance	3,025	-	3,500	(3,500)
Publishing	287	-	78	(78)
Service contracts	-	1,270	-	1,270
Telephone	1,292	6,000	2,339	3,661
Utilities	3,000	3,000	5,000	(2,000)
Training	1,368	3,000	2,160	840
Administrative benefits	-	10,000	-	10,000
Workers' compensation	4,873	6,500	7,642	(1,142)
Total general and administrative	23,190	36,320	26,413	9,907
Total expenditures	357,845	328,808	303,687	25,121
Excess of Revenue Over Expenditures	33,817	89,607	106,600	16,993
Fund Balance - Beginning of year	852,568	886,385	886,385	-
Fund Balance - End of year	<u>\$ 886,385</u>	<u>\$ 975,992</u>	<u>\$ 992,985</u>	<u>\$ 16,993</u>

Washington and Bruce Townships Senior Transportation thru Advanced Reservation

**Notes to Financial Statements
March 31, 2004**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Washington and Bruce Townships Senior Transportation thru Advanced Reservation (the "System") conform to generally accepted accounting principles applicable to governmental units.

Reporting Entity

The System was organized December 29, 1981 by a joint resolution between Washington and Bruce Townships. The System was organized to provide transportation services to residents of the two townships who are 60 years of age or older. The System is governed by a two-member board with one representative each from Bruce and Washington Townships and one alternate member from each township. The System is not considered to be a component unit of the Townships of Bruce or Washington.

Fund Accounting

The accounts of the System are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity.

Basis of Accounting

The governmental fund is accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Investments are recorded at fair value, based on quoted market prices.

Fixed Assets - Fixed assets used in governmental fund-type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the governmental fund. No depreciation is provided on general fixed assets.

All fixed assets are valued at historical cost. The General Fixed Assets Account Group is not a fund and does not involve the measurement of results of operations.

Memorandum-only Totals - The total data presented is the aggregate of the fund type and account group and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Washington and Bruce Townships Senior Transportation thru Advanced Reservation

Notes to Financial Statements March 31, 2004

Note 2 - Deposits

The System's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

Cash	\$ 440
Investments	<u>1,110,000</u>
Total	<u>\$ 1,110,440</u>

These amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Investments in bank investment pools	\$ 1,110,000
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	140
Petty cash	<u>300</u>
Total	<u>\$ 1,110,440</u>

The bank balance of the Township's deposits is \$140, of which the entire amount is covered by federal depository insurance.

The System is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and mutual funds and investment pools that are composed of authorized investment vehicles.

The System's investments during the year consisted solely of bank investment pools. Investments are normally categorized to give an indication of the level of risk assumed by the System; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The System believes that the investments in these funds comply with the investment authority noted above. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position of the pool is the same as the value of the pool shares.

Washington and Bruce Townships Senior Transportation thru Advanced Reservation

Notes to Financial Statements March 31, 2004

Note 3 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Equipment	\$ 19,541	\$ 2,515	\$ -	\$ 22,056
Land improvements	20,000	-	-	20,000
Vehicles	<u>291,518</u>	<u>-</u>	<u>-</u>	<u>291,518</u>
Total	<u>\$ 331,059</u>	<u>\$ 2,515</u>	<u>\$ -</u>	<u>\$ 333,574</u>

Note 4 - Budget Information

The annual budget is prepared by the System and adopted by Washington and Bruce Townships; subsequent amendments are approved by the boards of the above entities. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been determined.

The budget is prepared in accordance with generally accepted accounting principles on a line-item basis. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted is included in the general purpose financial statements.

Note 5 - Defined Contribution Retirement Plan

The System provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Board resolution, the System contributes 15 percent of employees' base salaries. In accordance with these requirements, the System contributed \$8,695 during the current year.

Note 6 - Related Party Transaction

The System conducts its operations in facilities owned by a local unit of government. The cost of the building space is donated to the System. The monetary value of this in-kind service has not been determined.

Washington and Bruce Townships Senior Transportation thru Advanced Reservation

**Notes to Financial Statements
March 31, 2004**

Note 7 - Risk Management

The System is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The System has purchased commercial insurance for medical claims and workers' compensation, and participates in the Michigan Municipal League Plan risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 8 - Upcoming Reporting Change

For the year beginning April 1, 2004, the System plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. The General Fund will report information on the modified accrual basis of accounting, as well as on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

June 21, 2004

Board of Commissioners
Washington and Bruce Townships Senior
Transportation thru Advanced Reservation
361 Morton
Romeo, Michigan 48061

Dear Commission Members:

We have recently completed our audit of the financial statements of Washington and Bruce Townships' Senior Transportation thru Advanced Reservation for the year ended March 31, 2004. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations.

Budgeting

The STAR budget is adopted on a line item basis. On a line item basis, several expenditures exceeded the budget for the year ended March 31, 2004. Expenditures for each line item should not exceed the budget to remain in compliance with the Uniform Accounting and Budgeting Act. The Commission should consider reviewing the budget at least quarterly to make the necessary budget amendments. Alternatively, the Commission could adopt a budget on a total activity basis. Thus, the budget would only need to be amended if total expenditures were to be exceeded.

Investment Policy

The Commission has been investing funds overnight in a sweep account for several years as a means to generate more investment income. Since funds are being invested, Public Act 196 of 1997 requires the Commission to adopt an investment policy and the investment manager of the Commission to provide an annual investment report to the Commission. The Commission is in the process of adopting a resolution regarding an investment policy. Further guidance on adopting an investment policy can be found on the Department of Treasury's website at http://www.michigan.gov/treasury/1,1607,7-121-1751_2194-7663-.00.html.

Credit Card Transactions

The Commission has a credit card issued in its name to be used for approved STAR expenditures. Public Act 266 of 1995 authorizes the use of credit cards by the Commission for appropriate expenses and set specific criteria which must be followed. The Commission is required to adopt a written resolution governing the use of credit cards according to the state law. The Commission is in the process of adopting a resolution regarding the use of credit cards. Further guidance on adopting the resolution and the suggested wording can be found on the Department of Treasury's website at http://www.michigan.gov/treasury/0,1607,7-121-1751_2194-7699--.00.html.

June 21, 2004

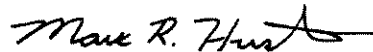
GASB 34 Reminder

As you are already aware, the Government Accounting Standards Board has issued a major pronouncement that will drastically change the way municipal financial statements will look. For STAR, this pronouncement is effective beginning April 1, 2004. In the coming months, STAR will be finalizing its plan to derive some of the new data that will be required by the new rules and will need to finish gathering that data. We also recommend the creation of "cut-over" financial statements using the new reporting model, which include beginning balances as of April 1, 2004. Subsequent to our audit of the "cut-over" financial statements, we would be happy to meet informally with the Commission to discuss the impact of this pronouncement.

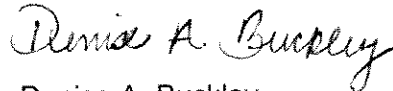
We would like to thank Sandi Kaiser for the cooperation extended to us during the audit. We appreciate the continued opportunity to serve as your auditors for the Commission. We would be happy to answer any questions you have regarding the annual financial report or the above comments and recommendations at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Mark R. Hurst



Denise A. Buckley